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Licensing and Librarianship

by Anne Klinefelter

Licensing is changing our jobs and our libraries. Selecting, purchasing, and lending printed materials such as books and journals is a simple task compared with acquiring and making available licensed electronic materials.

As information products shift from print to electronic formats, librarians are spending increasing amounts of time working out the details of license purchases. Librarians must also know what rights they and their users have under copyright law. We should review carefully licensing agreements proposed by information vendors and be prepared to negotiate terms that ensure appropriate access to electronic products for our staffs and patrons.

By licensing their products, publishers of digital information have recast the purchase as merely payment for specified uses of the material, to escape what they see as unfavorable legal results from the "sale" of a copy of the product. The sale is important to libraries, because basic copyright rights are awarded to the owner of a lawfully made copy. These rights, found in section 109 of the federal copyright code, include the authority to sell, lend, or give away the copy.

The terms of these licenses tend to take even more copyright rights away from the consumer. Rights that libraries should protect for themselves and for their patrons include the section 107 right to make fair use copies from documents through photocopying or downloading and the section 108 rights to make limited copies for interlibrary loan, preservation, and replacement purposes. Nonprofit

libraries also have the right under section 109 to lend software for nonprofit purposes. Under section 117, libraries are given the right to make an archival copy of software.

Librarians are well aware of publishers' concerns about the ease with which electronic information can be copied and transmitted to others. We need to work with publishers to prevent copying and distribution that go beyond limits permitted under the *Copyright Act*. But, we also need to ensure that license agreements do not take away rights that Congress and courts have given users.

What Is the Law of Licensing?

Licensing of information products is governed by several different areas of law, although not all players agree which is controlling. The key areas are federal copyright law, state contract law on sales, the drafts of a new model state law on licensing, United States Constitutional law and federal copyright law on preemption of state laws, pending federal legislation to protect databases, and court decisions interpreting these areas.

Despite some improvements, the draft model law remains a tool favoring producers at the expense of libraries and other consumers.

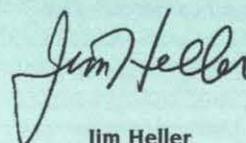
The most controversial type of license is the non-negotiated license, usually created by the publisher. The kindest description of this type of license is "mass-market contracts," though they are also called "unilateral contracts" or "contracts of adhesion." These contracts depend on some physical act, such as the breaking of the shrinkwrap around a CD-ROM, or the clicking on Web buttons to indicate compliance with the terms of the contract included within or readable upon access on the Web. Because of these characteristics, the non-negotiated license

In drafting the *Copyright Act of 1976*, Congress attempted to balance the needs of authors and other copyright owners with the needs of those who use copyrighted works. Fair use (17 USC 107) is the most important provision in the *Copyright Act* that is designed to ensure access to and use of information. The library exemption (17 USC 108) is, essentially, a "fair use" provision for libraries, their employees, and their patrons.

Over the years, we have seen various threats to users' rights, such as recent efforts to create sui generis protection for databases. But perhaps the greatest threat comes from mass market licenses and standard form contracts that can eviscerate the rights Congress and the courts have given those who use intellectual property. Licenses have the potential to bypass completely the careful balance Congress sought to create.

AALL *Spectrum* keeps its readers informed of developments in the information policy arena through monthly "Washington Briefs" (prepared by Associate Washington Representative Mary Alice Baish), feature articles (such as Washington Affairs Representative Bob Oakley's piece on UCC Article 2B in the February 1998 AALL *Spectrum*, and "Committee News" updates (particularly those of the Copyright, Government Relations, and Citation Committees). Members' Briefings offer another way to inform our readers of important (and often complex) issues.

Anne Klinefelter, who chairs AALL's Copyright Committee, is the primary author of this Licensing briefing. Anne, in turn, contacted other AALL copyright experts to work with her on this piece. Our thanks go to Anne, to Mary Alice Baish and Bob Oakley, and to Sarah Andeen, also a member of the Copyright Committee, for their excellent contributions.



Jim Heller
AALL President

inside:



Keep Up with Licensing (and Copyright) by Using the Internet...18
Glossary of AALL Partners20

Licensing and Librarianship

continued from page 17

may also be called a "shrinkwrap" or "click-wrap" license.

Courts disagree about the validity of non-negotiated licenses. While the Seventh Circuit has enforced shrinkwrap licenses (*Pro-CD v. Zeidenberg* (86 F.3d 1447 (7th Cir. 1996)); and *Hill v. Gateway, 2000, Inc.*, 105 F.3d 1147 (7th Cir. 1997)), the Third and Fifth Circuits have found shrinkwrap licenses to be unenforceable (*Step-Saver Data Sys. v. Wyse Tech.*, 939 F.2d 91, (3d Cir. 1991); *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255 (5th Cir. 1988)). Objections to shrinkwrap licenses are usually based on federal preemption of a state law or on lack of formation of a contract under Uniform Commercial Code Article 2, "Sales."

An important aspect of negotiation is defining who will do the negotiating. The person who has ordered books may take on license negotiation but often negotiation is the director's responsibility.

Partly as a response to courts' rejection of shrinkwrap licenses, the American Law Institute and the National Conference of Commissioners of State Laws began work a few years ago to develop a new model law on licensing. The November 1998 draft of UCC-2B shows only small concessions to criticisms that earlier drafts overreached in scope and improperly compromised copyright law. The scope no longer covers print and electronic "Information" but rather "Computer Information Transactions." A new section somewhat unhelpfully offers that any section of the Act preempted by any applicable federal law is preempted. Notes in the document assert that non-negotiated mass market licenses are valid, citing only the *Pro-CD* case. Provisions covering mass-market or non-negotiated licenses invalidate terms that are unconscionable or against public policy. However, the notes show that terms limiting consumer copyright rights are clearly intended to be enforceable. So, despite some improvements, the draft model law remains a tool favoring producers at the expense of libraries and other consumers.

The UCC-2B draft maintains momentum toward being endorsed by at least one of its two sponsoring organizations. The National Conference of Commissioners on Uniform State Laws plans to vote on Article 2B, and to make it a part of the UCC, at its July 1999 conference. The American Law Institute Council may postpone its final consideration of the draft until October or December 1999, after which the ALI membership would vote on it at the May 2000 meeting. If the draft model law is completed and promulgated, the debate will shift to state legislatures.

Help for Negotiating a License

Because the law of licensing is unsettled and complex, librarians are working together to develop guidelines for purchase of licensed materials. If the publisher is open to negotiation, the library can work towards advantageous terms. Law librarians can look to "Principles for Licensing Electronic Resources," endorsed by AALL and available through AALLNET under "Policy Statements" (<http://www.aallnet.org/about/policy.asp>) for a list of preferred terms and a step-by-step approach to reviewing or creating licenses. Additional guides, including publishers' contracts and sample contracts developed by academic libraries, are available at Yale University Library's LIBLICENSE site (<http://www.library.yale.edu/~llicense/index.shtml>).

A guide for the law firm environment is being developed as part of the AALL Resource Guide series edited by Michael Saint-Onge (formerly with Coudert Brothers and now a Regional Information Manager with LEXIS-NEXIS). This guide, tentatively titled "Negotiating Techniques for Law Libraries," will focus on the skills and strategies involved in negotiating—including license agreements and flat-fee CALR contracts. Announcements about this publication should be appearing soon.

As publishers become more accustomed to the requirements of libraries, these negotiations are reportedly becoming more productive. The LIBLICENSE-L listserv and archive (<http://www.library.yale.edu/%7EIllicense/mailling-list.shtml>) reveal postings from librarians who have been able to secure licenses with provisions allowing limited interlibrary loan, downloading and printing, archiving, and reasonable pricing models.

An important aspect of negotiation, of course, is defining who will do the negotiating. The person who has ordered books may take on license negotiation but often negotiation is the director's responsibility. Certainly, the task is a time-consuming addition to traditional acquisitions routines. As larger percentages of our collections are becoming licensed, libraries are spending more resources on license negotiation.

What Do We Do?

AALL must continue to participate in the processes that shape the law of licensing and we librarians must continue to work together in efforts to guide each other in this complex area. Individual libraries may also consider developing their own model licenses in order to be better positioned to review and provide counter-offers to licensing contracts from publishers.

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Glossary of AALL Partners

AALL works on licensing and related issues through cooperation with other organizations.

The **Digital Futures Coalition** (<http://www.dfc.org/>) was created in 1995 to preserve the time-tested balance between the rights of owners of intellectual property and the traditional use privileges of the public. The 42 members of the DFC represent many of the nation's leading non-profit educational, scholarly, library and consumer groups, together with major commercial trade associations representing leaders in the consumer electronics, telecommunications, computer, and network access industries.

Shared Legal Capability is a cooperative effort by AALL, ALA, ARL, MLA, and SLA to retain outside counsel expertise in intellectual property issues, and to maintain and exert a joint library community position whenever possible on key intellectual property policy issues. The February 18, 1999, Report on Accomplishments of SLC is available at <http://www.ll.georgetown.edu/aallwash/rep021899.html>.